

VERIFICATION REPORT FOR THE RIMBA RAYA BIODIVERSITY RESERVE PROJECT



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Summary:

This verification report explains the outcome of the SCS verification of the Rimba Raya Biodiversity Reserve Project monitoring report 1 July 2009 – 30 June 2010 against the registered project documentation and the VCS 2007.1 standard and its supporting documents.

SCS conducted the verification using the supplied monitoring methodology for conservation projects that avoid planned land use conversion in peat swamp forests (VM0004 - Version 1); the monitoring plan contained in the validated VCS Project Document and the monitoring report as supplied by the Project Proponent. The verification included: evaluating whether the provisions of the monitoring methodology and the monitoring plan were consistently and appropriately applied; and assessing the collection of evidence supporting the reported data for conformity to the protocol.

SCS planned and performed the verification by obtaining evidence and other information and explanations that SCS considers necessary to give reasonable assurance that reported GHG emission reductions are fairly stated.

The Project Proponent is Infinite Earth. SCS has confirmed that Infinite Earth has the right to all and any reductions generated by the Project during the period 1 July 2009 – 30 June 2010.

It is the opinion of the verification team that the GHG emissions reductions from the Rimba Raya Biodiversity Reserve Project for the period from 1 July 2009 to 30 June 2010 are fairly stated in the monitoring report. The GHG emission reductions were calculated correctly on the basis of the approved VCS methodology VM0004 (version 1.0) and the monitoring plan contained in the validated VCS Project Document.

SCS is able to verify with a reasonable level of assurance that the emission reductions from the Rimba Raya Biodiversity Reserve project for the period of 1 July 2009 to 30 June 2010 amount to 2,181,352 tonnes of CO₂ equivalent after a 10% buffer pool deduction amounting to 242,373 tonnes of CO₂ equivalent is taken into consideration.

It should be noted that the verification activities for the Rimba Raya Biodiversity Reserve Project were performed in two phases. The first phase took place during the summer and fall of 2010. Given issues in procuring the rights of use for the entire project area, a second phase of verification began in March of 2013 and was of limited scope (see section 1.2). Additionally, sections of this report that do not apply to the second phase of verification were written according to the guidance of the VCSA at the time of writing, and were only amended in cases where specific rules and requirements were updated by the

VCSA.

Table of Contents

Table of Contents 3

1 Introduction 5

 1.1 Objective 5

 1.2 Scope and Criteria 5

 1.3 Level of assurance 6

 1.4 Summary Description of the Project 6

2 Validation Process, Findings and Conclusion 6

 2.1 Validation Process 6

 2.2 Validation Findings 6

 2.2.1 Gap Validation 6

 2.2.2 Methodology Deviations 6

 2.2.3 Project Description Deviations 6

 2.2.4 New Project Activity Instances 6

 2.3 Validation Conclusion 6

3 Verification Process 7

 3.1 Method and Criteria 7

 3.2 Document Review 7

 3.3 Interviews 9

 3.4 Site Inspections 10

 3.5 Resolution of Any Material Discrepancy 11

4 Verification Findings 11

 4.1 Project Implementation Status 11

4.2	Adaptive Management Framework	14
4.3	Monitoring Components and Completeness.....	14
4.3.1	Project conditions and forest protection.....	14
4.3.2	Land Use and Land Cover Change.....	18
4.3.3	Fire	18
4.3.4	Selective Logging.....	18
4.3.5	Leakage.....	18
4.3.6	Biomass Plots.....	18
4.3.7	Carbon Accounting.....	19
4.4	Accuracy of GHG Emission Reduction or Removal Calculations	20
4.5	Quality of Evidence to Determine GHG Emission Reductions or Removals	21
4.6	Management and Operational System	21
5	Verification conclusion	21
	APPENDIX A: LIST OF FINDINGS	22
	APPENDIX B: AFOLU NON-PERMANENCE RISK ASSESSMENT	32

1 INTRODUCTION

1.1 Objective

The objective of this verification is to ensure that the Voluntary Carbon Unit (VCUs) claims made by Infinite Earth in relation to the Rimba Raya Biodiversity Reserve Project (the Project) over the monitoring period from July 2009 - June 2010 are made in accordance with the Project's validated Project Document (PD) and the VCS 2007.1 standard. The verification will assess if the Project Proponent adequately addressed unplanned reductions in project carbon stocks, any increase in project emissions or possible leakage outside the project boundary.

1.2 Scope and Criteria

The scope of the verification is:

- To verify that actual monitoring systems and procedures are in compliance with the monitoring systems and procedures described in the monitoring plan.
- To evaluate the GHG emission reduction data and express a conclusion with a reasonable level of assurance about whether the reported GHG emission reduction data is free from material misstatement.
- To verify that reported GHG emission data is sufficiently supported by evidence.
- The verification shall ensure that reported emission reductions are complete and accurate in order to be verified.

As a result of issues pertaining to control of the project area and the resulting time elapsed since the beginning of verification activities, a second phase of verification began in March 2013. The scope of this phase of verification is limited to:

- To assess and verify the rights of use for the project.
- To ensure the use of the most current version of VCS documents.
- To verify that the buffer contribution is appropriately calculated and sufficiently supported by the evidence.

Given the clear distinction between the scope of the two verification efforts, the verification activities occurring in 2010 will be categorized as "scope 1" and verification activities occurring in 2013 will be categorized as "scope 2."

In accordance with Section 5.3.1 of the VCS Standard, the criteria for verification were the VCS Version 3.3, including the following documents:

- VCS Program Guide
- VCS Standard
- VCS AFOLU Requirements
- VCS Non-Permanence Risk Tool

Unless otherwise indicated, the assessment was performed against the most recent version of the relevant VCS guidance document.

1.3 Level of assurance

The verification report expresses a conclusion with a reasonable level of assurance about whether the reported GHG emission reduction data is free from material misstatement.

1.4 Summary Description of the Project

The Rimba Raya Biodiversity Reserve Project is an initiative by InfiniteEARTH (the Project Proponent or Proponent), which aims to reduce GHG emissions by preserving 63,828 hectares of tropical peat swamp forest on the southern coast of Borneo in the province of Central Kalimantan. This area, rich in biodiversity including the endangered Bornean orangutan, was slated by the provincial government to be converted into four palm oil estates. The Project is also designed to protect the integrity of the adjacent world-renowned Tanjung Puting National Park (TPNP), by creating a physical buffer zone around the entire ~90km eastern border of the park.

This Project will avoid the loss of forest through the conversion to palm oil and is therefore classified as Reducing Emissions from Deforestation and Degradation (REDD) through Avoided Planned Deforestation (APD). The methodology applied is the VM0004 Methodology for Conservation Projects that Avoid Planned Land Use Conversion in Peat Swamp Forests, Version 1.0, developed by Winrock International.

The project qualifies as a Large Project. It will reduce 131,107,818 tCO₂e over a 30-year project life.

According to the ex-ante estimations presented in the first credit period from 1 July 2009 – 30 June 2010 the Project is expected to abate 2,462,212 tCO₂e.

2 VALIDATION PROCESS, FINDINGS AND CONCLUSION

2.1 Validation Process

See validation report issued under separate cover. No validation activities are reported here.

2.2 Validation Findings

2.2.1 Gap Validation

See validation report issued under separate cover. No validation activities are reported here.

2.2.2 Methodology Deviations

See validation report issued under separate cover. No validation activities are reported here.

2.2.3 Project Description Deviations

See validation report issued under separate cover. No validation activities are reported here.

2.2.4 New Project Activity Instances

See validation report issued under separate cover. No validation activities are reported here.

2.3 Validation Conclusion

See validation report issued under separate cover. No validation activities are reported here.

3 VERIFICATION PROCESS

3.1 Method and Criteria

The approach taken to conduct this verification included:

- Review of project documentation including the approved selected methodology (VM0004), the Project Proponent's validated Project Document and Monitoring Plan dated May 2011 and the July 2009 – June 2010 monitoring report.
- On-site inspections, including; review of performance records, interviews with project participants and local stakeholders, collection of field measurements, observation of established practices and testing of the accuracy of monitoring equipment
- Review and verification of relevant Right of Use Documents
- Review and verification of the Non-Permanence Risk Assessment
- Review of monitoring results and verification of the correct application of monitoring methodologies
- Review of calculations to quantify reductions in GHG emissions

The Project Proponent's validated Monitoring Plan presents eight major components of monitoring: three that are focused on project conditions and forest protection and five that are focused on annual land change assessment for carbon accounting.

All eight components were considered for compliance against the validated Project Documents, the VCS 2007.1 standard and supporting document requirements in this verification.

The Project Proponent's Adaptive Management Framework was also part of this verification.

3.2 Document Review

The verification team performed a careful review of the PD and supporting literature to assess conformance to the criteria of the verification standards.

Throughout the audit process, the verification team focused mainly of the PD, the non-permanence risk report, and the associated methodological workbooks. This approach allowed for a detailed assessment of the project design as it conforms to the criteria of the VCS v3.3 (4 October 2012) and the associated methodology (VM0004 - Methodology for Conservation Projects that Avoid Planned Land Use Conversion in Peat Swamp Forests, v1.0) for AFOLU projects. In addition, the validation team was able to assess proper utilization of the AFOLU Non-Permanence Risk Tool (4 October 2012, v3.2). The key documents provided for the desk review portion of the validation are as follows:

1. Rimba Raya Biodiversity Reserve Project, Year-1 Monitoring Report July 2009 – June 2010. Infinite Earth July 2010 (revised April 2013)
2. Rimba Raya Biodiversity Reserve Project, Project Document, Voluntary Carbon Standard v2007.1 (Nov 2008) May 15, 2011 (and supporting Annexes)

Annex 1a Carbon Survey Report - Transects T1 - T6

Annex 1b Carbon Survey Report – Additional Transect T7, T8

Annex 2a Land Cover Classification

Annex 2b Land Cover Accuracy Assessment

Annex 3 Rimba Raya Fire Management Plan

Annex 4 Land License Supporting Documents

Annex 5a Carbon Survey SOP

Annex 5b Forest Patrol SOP

Annex 6 QA/QC Plan

Annex 7 Monitoring Plan

Annex 8a Baseline Calculations

Annex 8b Baseline Report

Annex 9 Econometrics Model demonstrating no Activity Shifting or Market Leakage

Annex 10 Environmental Impact Assessment Summary Conclusions

Annex 11 Community Surveys, Engagement, Education & Support Documents

3. Final Baseline GHG Emission Estimates for the Rimba Raya Biodiversity Reserve Project
May 15, 2011 (and supporting Annexes)

Annex 2 Bolick 2010b, Accuracy Assessment 2009 Landcover Classification Rimba Raya August, 2010

Annex 3 Bolick 2010c, Field Report to Infinite Earth: Rimba Raya Carbon Assessment Survey July 18, 2009 and

Bolick 2010d, Additional Transects 7 & 8 Rimba Raya Carbon Assessment Survey August 5 - September 1, 2009

Annex 4 Additionality Support Documents

Annex 5 Econometrics argument on Leakage

Annex 7 Baseline Calculations

Infinite Earth Monitoring Plan (and supporting Annexes)

Annex 1 FMEA & Control Plan

Annex 2 Fire Plan & Community Involvement

Annex 1 Bolick 2010a, Landcover Assessment for Rimba Raya February 5, 2010

4. Right of Use Documents

Decree_36,000 ha

APPENDIX DECREE 146

Map 36,000 decree

PT Best Agreement

Draft MoU BEST-RRC_Land-authority Transfer_Nop 2012

Forestry Ministry decree 731
 Forestry Ministry decree No 716
 New TNTP Agreement
 Revised TNTP_RRC Cooperation Agreement_18.642ha
 Working Area Map
 Revised RRC_TPNP Map_18642ha
 5. Non Permanence Risk assessment
 VCS Non-Permanence Risk Report Template Short, v3.0_RimbaRayaM1
 InfiniteEarth_VCS Risk Report Calculation Tool, v3.0_M1
 Nair2000_Insect-pests
 OverviewofPestIndo_FAO2007
 Wooster2012
 Heli et al (2009) Land Use Policy REDD+

3.3 Interviews

Personnel spoken to in the course of this validation that provided important information include:

Infinite Earth/PT. Rimba Raya Conservation (RRC)

Todd Lemons - Chairman and CEO
 Jim Procanik - Managing Director - Asia
 Leslie Bolick - Science and Technical Director
 Jeff Reece - President
 Hartjahjo Ariawan - RRC Community Relations Coordinator

Forest Carbon

Scott Stanley - Managing Director
 Gabriel Eickhoff - Director

Orangutan Foundation International

Dr. Birute Galdikas - Founder Fajar Dewanto - OFI manager Robert Yappi - GIS manager

World Education

Handoko Widagdo - Acting Country Representative

Staff from Tanjung Puting National Park

Handi Nasoka - Head of Section II, Kuala Pembuang
 M. Taufik - Staff of Section II
 Supriyanto - Head of Section I, Pembuang Hulu

Toto Sutiyoso - Administration Head of TPNP Office

Forestry & Plantation District Office (FPDO) of Seruyan:

Ir. Priyo Widagdo - Head of FPDO Seruyan

Heri Purnomo - FPDO Staff

BKSDA:

Ir. Eko Novi - Head of BKSDA Section II Kotawaringin Barat

Sunaryo - BKSDA Staff

3.4 Site Inspections

The objectives of the on-site inspections performed were to:

- Select samples of data from on-the-ground measurements for verification in order to meet a reasonable level of assurance and to meet the materiality requirements of the project, as required by Section 5.1.3 of the VCS Standard;
- Perform a risk-based review of the project area and project activities to ensure that the project conformed to the requirements of the VCS rules and the methodology throughout the monitoring period; and
- Ensure that monitoring was conducted in accordance with the requirements of the validated monitoring plan, the methodology employed and the VCS rules.

In fulfillment of the above objectives, the audit team performed an on-site inspection of the project area on the dates 22 July 2010-30 July 2010. The main activities undertaken by the audit team were as follows:

- Interviewed project personnel (see Section 2.3 of this report) to gather information regarding the monitoring procedures and project implementation and;
- Visited random areas of the project area to gather information necessary to confirm agreement between mapped areas and actual field conditions.

3.5 Resolution of Any Material Discrepancy

Any potential or actual material discrepancies identified during the assessment process were resolved through the issuance of findings. The types of findings issued by SCS were characterized as follows:

Non-Conformity Report (NCR): An NCR signified a material discrepancy with respect to a specific requirement. This type of finding could only be closed upon receipt by SCS of evidence indicating that the identified discrepancy had been corrected. Resolution of all open NCRs was a prerequisite for issuance of a verification statement.

New Information Request (NIR): An NIR signified a need for supplementary information in order to determine whether a material discrepancy existed with respect to a specific requirement. Receipt of an NIR did not necessarily indicate that the project was not in compliance with a specific requirement. However, resolution of all open NIRs was a prerequisite for issuance of a verification statement.

Opportunity for Improvement (OFI): An OFI indicated an area that should be monitored or ideally, improved upon. OFI's were considered to be an indication of something that could become a non-conformity if not given proper attention, and were sometimes issued in the case that a non-material discrepancy was identified. OFIs were considered to be closed upon issuance.

All findings issued by the audit team during the verification process have been closed. In accordance with Section 5.3.6 of the VCS Standard, all findings issued during the verification process, and the impetus for their closure, are described in Appendix A of this report.

4 VERIFICATION FINDINGS

4.1 Project Implementation Status

During the site visit, by observing, reviewing operation records and interviewing relevant staff, SCS was able to verify that the Project has been implemented and operated as described in the VCS PD dated May, 2011 for the Project.

The procedures to estimate the total carbon stock in selected pools within the project area and the uncertainty of the estimate at a given point in time have been implemented sufficiently. Allometric equations have been used appropriately and the peat sampling methods for depth and bulk density are sufficient. Carbon stocks for all strata have been estimated as per the requirements of the methodology (VM0004).

During the validation and initial verification process, the project was unable to finalize the right of use agreements with the Indonesian government. In following the VCS rules described in section 3.4.2.1 of the VCS Standard were thus unable to complete the verification.

After more than two years of efforts by the project developers provided the audit team with evidence of Right of Use to the audit team. The evidence consisted of the following documents:

- Government Decree Number SK 146
- Collaborative Agreement (PT RRC and Tanjung Putting National Park)
- MoU BEST-RRC_Land-authority Transfer

- Government Decree Number SK 716
- Government Decree Number SK 731
- Working Map of the project area

The activities performed by the audit team to ensure the authenticity of the Right of Use were as follows:

SCS employed an internal expert to explain the process by which land concessions are granted in Indonesia, as well as to ensure the English translation of the right of use documents was performed correctly. Upon review of the above documents, SCS confirms that the English translation was performed correctly. It is the understanding of the audit team that forest land concessions are granted by the Indonesian government, more specifically, the Minister of Forestry by right of Decree. Working with that knowledge, the audit team first examined Decree number SK 146, granting concession of a portion of the project area comprising 36, 331 hectares. The audit team was able to confirm right of use spelled out in the document under the third stipulation (subsection 1), stating “(1) Conduct activities and acquire benefits from the results of its business in accordance with this license.” The specifics of the license are spelled out within the decree and are defined by the allowable forest management activities (IUPHHK-RE – forest ecosystem restoration). The audit team then confirmed that Zulkifli Hasan has the authority to grant such concessions as the Minister of Forestry through a thorough web based investigation.

The audit team then examined the Collaborative Agreement between Tanjung Putting National Park and PT Rimba Raya Conservation to confirm the next area of right of use. SCS was able to confirm that the agreement included verbiage defining the carbon rights, as well as its connection to government decree number SK 146. Article 1 (section 10) states “Full responsibility to fund the operation and conservation areas (including fire protection) will be borne by PT Rimba Raya Conservation, where PT Rimba Raya Conservation project will last for a period of 30 years and all the emission reductions due to conservation in this area will be recognized as rights of PT Rimba Raya Conservation.” In addition, article 1 (section 8 states “Creating buffer zone for Tanjung Putting National Park as set in the Technical proposal IUPHHK-RE PT. PRC which delivered on October 20, 2009 at the Directorate General of Forestry Production.”

The final parcels of the right of use areas were attained by the project through an agreement between PT Rimba Raya Conservation and PT Best. In order to assess right of use for these areas, the audit team focused on three main documents; MoU BEST-RRC_Land-authority Transfer, government Decree number SK 716, and government decree number SK 731. As concession of the final two parcels of the project area was initially granted to holding companies of PT Bes (PT Wahana Agrotama Makmur Perkasa (2,394 hectares) and PT Rimba Sawit Utama Planindo (6, 512 hectares,)the concession holder created a contract giving control of these lands to PT Rimba Raya Conservation. In order to determine PT Best had the authority transfer control of these lands to PT Rimba Raya Conservation, the audit team was provided with signed copies of Decree numbers SK 716 and SK 731. The audit team confirmed that PT Best was indeed the holder of these concessions by confirming the authorized signee of the two decrees was one in the same as the authorized signee for PT Best. Using web based investigations the audit team was also able to confirm that the signatures of the MoU, as well as the two decrees indeed belong to authorized signatures of PT Best. While investigating the decree; however, the audit uncovered language in Decree number SK 716 (stipulation NINTH) stating “PT WAHANA AGROTAMA MAKMUR PERKASA in forbid to transfer the right of forest utilization of ± 2.394.06 (two thousand three hundred ninety four point six) to another party without obtaining written approval from Forestry Minister.” Upon request of the team, the project proponents provided a detailed explanation of the approval pursuant to the previously mention stipulation, along with a final “working area map” complete delineation of the parcels in question and authorized signature of the Director General of the Planning Department. As with previous documents, the audit team performed web based investigations to ensure the appropriate authorities had signed off on the documentation.

Once the audit team completed its assessment of the right of use decrees and agreements, the audit team then compared the working area map with the original project area delineation. Whereas, there was a notable difference in the project zone, the carbon accounting area remained the same. Additionally, there is a slight difference between the area of the two decrees numbered SK 716 and SK 731 (51 hectares). It is the understanding of the audit team that the error is in the GIS delineation of the working area map and can be considered insignificant. Overall, the “working map” issued by the Director General of Forestry for Indonesia is adequate for the inclusion of the project carbon accounting area.

Finally, it should be noted that whereas, the government decrees, as well as the management agreements vest to rights of use to PT Rimba Raya Conservation, that InfiniteEarth is listed as the project proponent. Interviews during the site visit (22-30 July 2010) confirmed that PT Rimba Raya Conservation is indeed the registered business entity in Indonesia for Infinite Earth. This relationship was also confirmed, using a web based investigation, during the right of use verification activities to ensure this relationship has not changed.

Based on the activities described above, the audit team has a reasonable level of assurance that the project has attained the necessary right of use for the project area pursuant to section 3.11.1 of the VCS Standard.

4.2 Adaptive Management Framework

The Project Proponents validated monitoring plan is necessarily general with the aim of:

- 1) Defining a monitoring approach
- 2) Framing general repeatable methods consistent with the VCS methodology
- 3) Providing flexibility to test and improve specific monitoring methods in response to project-based learning, advances in science, and improvements in data and access to information

To assist in achieving the Project's goals, the Project Proponent, Infinite Earth, has an adaptive management framework in place. The first monitoring report includes an assessment of methods, gaps and needs for each monitoring component, which are being incorporated into the Year 2 monitoring plan. Specific monitoring methods, protocols and procedures are being refined during Years 1- 3 so that after Year 3, monitoring will consist of implementing a standard detailed methodology.

Monitoring activities are organized into two classes: major threats to carbon stocks (land cover change) and threats to biodiversity with minimal or moderate threats to carbon stocks (degradation).

The adaptive management process identified a number of improvements to monitoring for land cover classification and stratification, as well as targeting monitoring to high risk areas through the development of risk maps, improving relationships to local entities, increasing capacity building and education of the local people to protect against fire.

It appears that the adaptive management approach described in the validated PD is being implemented and improvements to the monitoring process are being identified and planned for.

4.3 Monitoring Components and Completeness

The validated Project Document states that the monitoring report should cover the eight major components of the monitoring task. Each of these areas are presented in Table 1 and 2 of the July 2009 – June 2010 monitoring report and are consistent with those presented in Table 11 and 12 of the validated PD. Three components from the monitoring plan relate to project conditions and forest protection and five relate to land change assessment for carbon accounting. Verification of these monitoring components is detailed below.

4.3.1 Project conditions and forest protection

4.3.1.1 Boundary

The monitoring plan states that the Project's implementation is monitored annually, including the project boundary and the area inside the project boundary. The Project has two distinct boundaries:

- The legal boundary which represents the Project Management Zone (PMZ), defined by the Ministry of Forestry's Area Verification for the Project and encompasses 63,828 ha.
- The carbon accounting area (CCA) boundary which represents the boundaries of four planned palm oil concessions, adjusted to exclude a hydrologic buffer 3 km south of the existing WSSL palm oil plantation.

The area inside the PMZ is monitored as part of ongoing forest protection and management activities conducted by PT. Rimba Raya Conservation (RRC), Orangutan Foundation International (OFI) and other stakeholders. The geo-referenced boundary for the PMZ represents the limits of project management and monitoring in the field.

Monitoring survey and patrol activities in the PMZ during the initial monitoring period included directed field surveys, expedition patrols and regular patrols by RRC, OFI and stakeholder field teams.

The CAA is directly monitored for any land use or land cover change, and boundaries marked in the field by navigating to locations defining turning points uploaded to GPS receivers from GIS boundary data. Each location is marked in the field with a tall wooden stake and a GPS point is collected of the actual marker location. Land condition and human activities were assessed and recorded at each boundary marker and photos taken in cardinal directions at each point. GPS and photo data is permanently stored in the Rimba Raya database. The CAA boundary and area monitoring includes protection patrols and surveys of land condition, fire hotspots and logging areas.

The monitoring report states that signs marking Rimba Raya have been posted in key areas of potential land use conflict along the Northern buffer. This region is the closest to the agent of the deforestation boundary. During the field visit these sign posts were visited along this northern boundary and found to be intact as described in the monitoring report. The report also states that directed field patrols of the north buffer area were conducted in April and June during the boundary marking effort, to look for evidence of new drainage canals in the buffer zone. No new canals were found.

4.3.1.2 Stratification

For Year 1 monitoring, landcover classification was updated to 2009 Landsat imagery (February 2009 ETM+ path/row 119/062) and the classification scheme was further improved (Table 3) to better reflect ground conditions in Rimba Raya while remaining relevant to regional and national land cover classification schemes. The forest classification map and areas with the carbon accounting area are consistent with those presented in the PD.

As part of Year 1 monitoring, landcover classification was performed on 2010 Landsat imagery (January 2010 TM path/row 119/062) which was exceptionally cloud - free and represents the best available recent optical imagery to date. The 2010 classification used the same scheme and methods used in the 2009 land cover classification described above. The final 2010 landcover classification (Figure 4) is the stratification upon which Year 1 land cover change analysis and carbon accounting were conducted.

The approach taken is consistent with the selected baseline and monitoring requirements. In addition the Proponent has identified successes in the Year 1 monitoring and the following improvements for Year 2 monitoring:

- Develop a quantitative basis for the current land cover classification scheme
- Apply the refined classification scheme; assess and document any changes in 2009 and 2010 mapping
- Continue assessments based on available optical data but also employ ALOS PALSAR and test LIDAR
- Continue applying the current classification model but also test automated methods using non - optical datasets
- Develop and employ standard operating procedures (SOP) to guide image processing and classification

This provides evidence that the adaptive management process is in place.

4.3.1.3 Forest Protection

The Monitoring Plan describes Forest Protection Monitoring to be a series of field patrols and the implementation of a logbook on these activities.

The methodology describes a patrol log to be maintained showing the date, the area covered indicated by GPS track, and the type of disturbance that occurred including the following detailed information:

- Area where natural or anthropogenic disturbances (including fire, illegal logging and other land use change) occurred within the Project boundary by date, location, biomass lost or affected, and the preventative or curative measures implemented.
- Number and location of logging gaps by date, biomass lost or affected, and the preventative or curative measures implemented.
- Area and approximate depth of peat burned within the Project area by date, location, and the preventative or curative measures implemented.
- Area of peat, if any, that was drained within the Project boundary by date, location, estimated peat emissions, and the preventative or curative measures implemented.

The monitoring report under Section 2.3.9.3 describes a three tiered monitoring approach:

1. Routine daily field patrols
2. Incident based non-routine field patrols
3. Annual monitoring event field survey.

The results of the first year's monitoring (pg 59 of the Monitoring Plan) states the Year-1 monitoring reported a high incidence of fire ignitions outside the carbon accounting area but within the Project Management Zone in the buffer areas around the palm oil estates on the northern boundary. Under its new agreement with the Conservation and Fire Department of the Forestry Bureau (BKSDA), patrols and enforcement are being concentrated in these areas in Year-2.

The data from the daily field patrols is summarised in Table 5. This table states that there were the following activities: 20 hunting, 1148 fishing, 623 Gemboor harvesting, 8 rattan collection and 17 fire spots.

4.3.1.4 High Risk Areas – Threat Analysis

The monitoring report presents a risk matrix threat analysis to assist in focusing monitoring efforts and is a good example of adaptive management approach adopted by the Project Proponent. The monitoring report states that this analysis was conducted to identify areas of particularly high risk within the project area which will lead to improve and direct monitoring and management approaches.

From this approach the Project Proponent intends to develop the following monitoring tools in Year 2:

- Risk Map
- Resource Value Map
- Priority Protection Map

To assist in proactive patrols and highly targeted monitoring. In Year 1 (this verification period) monitoring patrols was designed to provide intensified coverage of these areas. On these patrols extensive GPS data was collected including:

- Evidence of logging
 - GPS tracks of logging trail or logging canal
 - GPS coordinates of each logging event
 - DBH of remaining stumps
 - Species
 - Landcover conditions including clearing, degradation, drainage, etc
- Evidence of Fire Hot Spots
 - GPS boundary tracks for the boundaries of large burn scars
 - GPS coordinates for burn spots
 - Depth of peat burns for intensive burns
 - Landcover conditions including clearing, degradation, drainage, etc
- Evidence of Land Clearing
- GPS boundary tracks of large land cover change areas
- GPS coordinates for small plots
- Types of activity
- Landcover conditions including clearing, degradation, drainage, etc.

A full report of these activities can be found in the annual survey report (Annex 7). Results from these surveys are integrated into the annual GIS Landcover Change Analysis, which is then quantified for biomass loss and resulting carbon stocks loss. This final analysis informs Corrective Action Plans and serves as a basis for the subsequent year's monitoring activities.

4.3.2 Land Use and Land Cover Change

Land cover disturbance and land cover change was detected on 270.2 hectares in the CAA for which GHG emissions are quantified based on land change type.

Changes in land cover change/use were detected in the spatial and ground analyses. The report states that during the 2009-2010 period, all identified landcover changes were the result of fire burn areas.

4.3.3 Fire

Burned areas were determined through the spatial analysis and ground truthing survey of the 2009 – 2010 landcover changes derived from cloud free Landsat TM (5) imagery.

The monitoring report states that 270 hectares were burnt in the CCA during the monitoring period.

4.3.4 Selective Logging

Surveys recorded 40 treefall gaps each associated with a logged timber species.

Surveys of each logging site were conducted to record timber extraction including tree species and diameter (identified and measured at remaining stump). Forty trees were recorded, including common peat swamp forest hardwoods *Combretocarpus rotundatus* (perapat), *Ganua motleyana* (ketiau) and *Shorea smithiana* (lanan). Logged tree diameters averaged 51.0 cm.

Over pages 42 – 47 of the Monitoring Plan the monitoring of logging information is presented. This includes diameters and GPS co-ordinates as required by the methodology and maps of the access points and logging locations.

4.3.5 Leakage

The leakage monitoring conducted is consistent with that described in the Project Document. The monitoring found that at district, provincial and central government offices, no new permits have been allotted to the agent of deforestation, PT BEST Agro International Group (See Annex 11 - “Statement of Findings”). Therefore, leakage for legal (permitted) concessions is zero.

The monitoring of all concessions in the two 100km buffer zones did find any illegal expansion of the concessions. However the concessions which they bordered were not controlled by PT BEST Agro International Group. The Project Proponent came to the conclusion that the PT BEST Agro International Group was not responsible for the expansion. The verifier agrees with this assessment.

4.3.6 Biomass Plots

Biomass plots surveyed at the Project start were established on permanent transects and recorded to facilitate regular monitoring over the life of the Project. Provided that all required land change monitoring necessary for carbon accounting can be accomplished, a random sample of biomass plots (two plots per transect, 16 total), will be resurveyed every five years. By surveying in years 1, 5 and 10, three surveys will have been completed by the ten-year baseline reassessment required by the VCS, thus allowing trends in biomass change to be detected. Survey methods and protocols will follow those described in the Carbon Survey Assessment reports and will include measuring tree diameters for all trees >20cm DBH in 250 x 10 m plots

and all trees >10cm DBH in nested 20x10 m subplots and recording any new disturbances encountered.

4.3.7 Carbon Accounting

The carbon accounting approach is presented in the attached spreadsheet titled Baseline Calculations for Rimba Raya_2011.05.15_Final.xlsx

The last three tabs in this spreadsheet are related to ex-post calculations based on the outcomes of the monitoring event, with the tab titled 'Summary Emissions Table-BL' presenting the calculations.

Emissions from the Project area are divided into three sources:

- Emissions from logging
- Emissions from fire
- Emissions from land use/land cover change

During the site visit, through observation, record review and interviews, it could be confirmed that the monitoring arrangement is in line with the monitoring plan in the VCS PD and the applied VCS methodology. All of the necessary parameters have been properly monitored to develop an estimation of the Project's ex-post emission reductions. The monitoring report presented appears to be in conformity and represents a correct and complete application of the actual Project activity and monitoring methodologies with regard to the registered Project Document.

4.4 Accuracy of GHG Emission Reduction or Removal Calculations

The calculations of the emission reduction in the spreadsheet and the monitoring report for the monitoring period were checked by SCS and found to be generally correct, as detailed below:

- The Project area was quantified using commercial GIS software that has been shown to be reliable.
- Vegetation cover typing was performed using industry best practice approaches and an accuracy assessment carried out.
- Stratified sampling of vegetation cover types was performed. SCS independently re-measured a subsample of tree measurements and, where trees could be relocated, re-measurements corresponded to the data, adjusting for growth since the original measurement.
- Sampling of peat depth was found to be over estimating peat depth, however this has no material impact on the calculations as peat depth to 1m is only considered in the methodology calculations. The depth in the Rimba Raya project area is consistently deeper than 4m.
- The default value for peat bulk density of 0.14 g/cm^3 was used in the baseline calculations and will be replaced with a site-specific value by year 3. Statistical analysis of the variability of vegetation and soil carbon stocks was performed and sampling uncertainty was found to be less than +/- 10% of the mean estimate with 90% statistical confidence, which is required by the methodology and VCS AFOLU guidance to avoid an uncertainty deduction.
- Calculations that go from field measurements of soil and vegetation to per-hectare carbon stocks were reviewed in detail.
- SCS found no significant project emissions to be included in the calculations.
- SCS performed an independent risk rating and selected the risk buffer proportion used by the Project. This analysis is presented in the SCS double approval elements report dated May 2011. This analysis was performed again in April 2013 by both the project and the audit team pursuant to section 3.7.5 of the VCS AFOLU Requirements.
- Calculations of net emission reductions were reviewed in detail and were found to use proper inputs and coefficients, and the calculations are being performed correctly.
- The transfer of data used in the calculation of emission reductions were checked by reviewing relevant documents, with no remaining issues outstanding.

The calculations in this spreadsheet are generally presented in accordance with the registered monitoring plan with the exception of the NCRs and OFIs presented in this report. All these issues were corrected and closed during the verification

4.5 Quality of Evidence to Determine GHG Emission Reductions or Removals

The Project performed several kinds of project-specific measurements to ensure that amounts and factors used in calculations were appropriate to Project lands. The major pool in this Project is the peat soil pool and measurements of depth were taken to demonstrate that the peat depth in the project region exceeded the 1m maximum depth allowable for crediting by the methodology is exceeded in the project area. As such the estimates from peat drainage are conservative. Peat bulk density was also measured to utilise factors specific to the project area rather than using factors developed elsewhere.

Contractors with specialized expertise were engaged when the Project Proponent did not have the necessary expertise on staff. Quality assurance and quality control procedures exist and were used to check and clean the data. Calculation checking mechanisms employed by the Project Proponent were observed during the verification process.

4.6 Management and Operational System

The quality assurance and quality control procedures in terms of sampling, stratification, maintenance and data reporting are appropriate.

5 VERIFICATION CONCLUSION

This verification report explains the outcome of the SCS verification of the Rimba Raya Biodiversity Reserve Project monitoring report 1 July 2009 – 30 June 2010 against the registered Project Document and the VCS 2007.1 standard and its supporting documents.

SCS conducted the verification on the basis of the monitoring methodology VM0004 (Version 1), the monitoring plan contained in the validated VCS Project Document and the monitoring report. The verification included: a) checking whether the provisions of the monitoring methodology and the monitoring plan were consistently and appropriately applied, and b) the collection of evidence supporting the reported data.

SCS planned and performed the verification by obtaining evidence and other information and explanations that SCS considered necessary to give reasonable assurance that reported GHG emission reductions are fairly stated.

The Project Proponent is Infinite Earth. SCS has confirmed that Infinite Earth has the right to all and any reductions generated by the Project during the period 1 July 2009 – 30 June 2010.

In our opinion the GHG emissions reductions of the Rimba Raya Biodiversity Reserve Project for the period of 1 July 2009 to 30 June 2010 are fairly stated in the monitoring report. The GHG emission reductions were calculated correctly on the basis of the approved VCS methodology VM0004 (version 1.0) and the monitoring plan contained in the validated VCS Project Document.

SCS is able to verify with a reasonable level of assurance that the emission reductions from the Rimba Raya Biodiversity Reserve project for the period 1 July 2009 to 30 June 2010 amount to 2,181,352 tonnes of CO₂ equivalent after a 10% buffer pool deduction amounting to 242,373 tonnes of CO₂ equivalent is taken into consideration.

GHG Emission Reductions or Removals	tCO ₂ e
Baseline Emissions	2,462,212
Project Emissions	38,488
Leakage	0
Net GHG emission reductions or removals	2,423,725

Whereas the reporting period is listed as 1 July 2009 – 30 June 2010, the monitoring report provides a breakdown of VCU's by vintage. Following the guidance provided by section 4.1.7 of the VCS Registration and Issuance Process v3.4, these vintages are also listed here.

Vintage	VCU Allocation	Buffer Allocation
2009 (Jul – Dec)	1,090,676	121,186
2010 (Jan – Jun)	1,090,676	121,187

APPENDIX A: LIST OF FINDINGS

Note: Given the time lag between the beginning and ending of the first verification for the Rimba Raya Biodiversity Reserve Project, combined with the differential scopes between the activities of the two audit

teams, the numbering convention of the below findings will reset at the beginning of the second set of verification activities.

NCR Number 2010.1 of 5 Dated 31st January 2011

Finding: The calculation spreadsheet suggests that peat has been stratified, which is inconsistent with the Project Document and Monitoring Plan. Please ensure that the monitoring report and supporting documents reflect the validated approach presented in the project documentation, in particular the reporting to which peat depth to which burning is occurring.

Proponent Response: The calculation spreadsheet has been corrected to remove peat stratification to ensure consistency with the Project Document and Monitoring Plan.

Peat depth burning is assumed to be 34 cm across all peat areas in both the baseline scenario (ex ante) and year 1 project implementation (ex post) in accordance with the methodology.

Validator Response: This issue is closed.

NCR Number 2010.2 of 5 Dated 31st January 2011

Finding: The value for the carbon factor (CF) parameter is not consistent with the validated PD. Please ensure that the parameters are consistent throughout the calculations.

Proponent Response: The carbon factor (CF) parameter value is set to 0.5 for all calculations as required by the methodology. The PD and calculations spreadsheet have been checked to ensure consistency in the application of this value throughout the documentation and calculations.

Note the "Monitoring AGB Biomass Burn" tab formula in column D was updated to apply the CF = 0.5 value.

Tables documenting IPCC values used have been updated to include CF = 0.5 in the "Monitoring AGB Biomass Burn" and "Biomass Burning-BL" worksheets of the calculations spreadsheet.

Validator Response: This issue is closed.

NCR Number 2010.3 of 5 Dated 31st January 2011

Finding: The summary table (Table 13) presented in the Year 1 Monitoring Report is not consistent with the figures presented in the excel spreadsheets. Please ensure that the figures presented are correct and consistent between the calculator and the monitoring reports.

Proponent Response: The summary table (Table 13) presented in the Year 1 Monitoring Report has been updated to match the figures presented in the excel spreadsheets.

All document tables have been checked and edited as necessary to ensure consistency between the calculation spreadsheet and the monitoring reports.

Validator Response: This issue is closed.

OFI Number 2010.4 of 5 Dated 31st January 2011

Finding: Please check all units in the spreadsheet, particularly columns where biomass are reported as tC/ha. The correct units should be tdm/ha.

Proponent Response: All units in the spreadsheet have been checked for accuracy, completeness and formatting. Biomass units are shown as tdm/ha. Carbon extracted units are shown as tC/ha.

Note the correction on cell C2 of “Monitoring AGB Biomass Burn” which has been updated to show biomass units as tdm/ha.

Validator Response: This issue is closed.

NCR Number 2010.5 of 5 Dated 31st January 2011

Finding: There is a comment on tab titled 'Monitoring AGB Burn 2010' there is a query about the total area burned. Can you confirm that this is the area burnt within the project boundary?

Proponent Response: The tab “Monitoring AGB Burn 2010” in the baseline carbon calculation spreadsheet has been edited to clarify that

270 ha burned in the project area during the first monitoring year.

In cell A1, the heading has been edited:

“Estimation of emissions due to wildfire burning of the aboveground biomass in project area Monitoring Year 1 (July 2009 - June 2010)”

In cell B11, a comment has been added:

“total area burned in Carbon Accounting Area during Year 1 Monitoring”

Validator Response: This issue is closed.

NIR 2010.1 dated 04/09/2013

Standard Reference: VCS Standard v3.3, section 3.11.1 (6)

Document Reference: PT Best Agreement (Draft MoU BEST-RRC_Land-authority Transfer_Nop 2012), p1.

Finding: The VCS Standard requires that "The project description shall be accompanied by documentary evidence establishing conclusively one or more of the following rights of use (see VCS document Program Definitions for definition of right of use) accorded to the project proponent(s):" Additionally, the right of use evidence for the agreement between PT Best and PT Rimba Raya is defined in section 3.11.1.6 as "An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions or removals which vests the right of use in the project proponent."

The agreement between PT Best and PT Rimba Raya includes a section (H) that states "PT Best has communicated its wishes to the Minister of Forestry to transfer its land - use concession rights of the above mentioned areas to PT RRC in the letter No. 712/BESTJKT/ ST/07/12 date July 16th2012 regarding the Adjuration on Land Utilization Transfer of Oil Palm Plantation Area as the Working Area IUPHHK - RE of PT. Rimba Raya Conservation (Permohonan Alihguna Areal Perkebunan Kelapa Sawit Menjadi Areal Kerja IUPHHKRE bagi PT. Rimba Raya Conservation). The copy of the letter is attached in Annex Document 1." Please provide the letter referenced in the MoU for assessment.

Client Response: The letter and English translation has been sent.

Auditor Response: The project proponent provided the letter referenced in the MoU agreement, providing context for the a MoU. The audit team considers this NIR closed.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.2 dated 04/09/2013

Standard Reference: VCS Standard v3.3, section 3.6.1.2

Document Reference: PROJ_DESC_674_15MAY2011, p10. InfiniteEarth_MonitoringReport_v1.1 p10.

Finding: The VCS Standard requires that "Deviations from the project description are permitted at verification..." Additionally, the standard states "Where the deviation does not impact the applicability of the methodology, additionality or the appropriateness of the baseline scenario, and the project remains in compliance with the applied methodology, the deviation shall be described and justified in the monitoring report. This shall include a description of when the changes occurred and the reasons for the changes. The deviation shall also be described in all subsequent monitoring reports. Examples of such deviations include changes in the procedures for measurement and monitoring, or project design changes that do not have an impact on the applicability of the methodology, additionality or the appropriateness of the baseline scenario."

The project description claims a start date of November 2008, whereas the monitoring report claims a start date of 1 July 2009. The start date claimed in the monitoring report is clearly different from the start date in the PD; however, section 1.10 of the monitoring report states "There are no deviations from the project description." Please update the monitoring report to include ALL project description deviations.

Client Response: The PD describes the distinction between the Project Start Date (i.e. November 2008) and the Project Credit Period Start Date (i.e. July 2009). There has been no deviation between the PD and the Monitoring Report in relation to the Project Start Date or the Credit Period Start Date.

Corrections to Section 1.5 of the Monitoring Report were made to consistently report the Project Start Date as November 2008. Pertinent changes to the Monitoring Report have been made and resubmitted.

Auditor Response: The updated monitoring report has adequately address the start date discrepancy. This findings has been sufficiently closed.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.3 dated 04/09/2013

Standard Reference: VCS Standard v3.3, section 3.6.1.2

Document Reference: PROJ_DESC_674_15MAY2011, p8. InfiniteEarth_MonitoringReport_v1.1, p6.

Finding: The VCS Standard requires that "Deviations from the project description are permitted at verification..." Additionally, the standard states "Where the deviation does not impact the applicability of the methodology, additionality or the appropriateness of the baseline scenario, and the project remains in compliance with the applied methodology, the deviation shall be described and justified in the monitoring report. This shall include a description of when the changes occurred and the reasons for the changes. The deviation shall also be described in all subsequent monitoring reports. Examples of such deviations include changes in the procedures for measurement and monitoring, or project design changes that do not have an impact on the applicability of the methodology, additionality or the appropriateness of the baseline scenario."

The area of the total project management zone (Project Zone) claimed in the project description (PD) is 91,215 hectares, whereas the area of the project zone claimed in the monitoring report is 81,415 hectares. The area claimed in the monitoring report is clearly different from the area in the PD; however, section 1.10 of the monitoring report states "There are no deviations from the project description." Please update the monitoring report to include ALL project description deviations.

Client Response: The final Project Management Zone (Project Zone) area of 81,414 hectares is stated throughout the Monitoring Report. This deviation from the original Project Zone area of 91,215 hectares has been noted in Section 1.10 and has no effect on the Carbon Accounting Area (CAA), which has remained exactly the same. Pertinent changes to the Monitoring Report have been made and resubmitted.

Auditor Response: The information provided in the updated monitoring report adequately addresses this finding. The change in the area of the Project Zone does not affect the carbon accounting area or the leakage calculations. The client response is sufficient for closing this finding.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.4 dated 04/09/2013

Standard Reference: VCS Standard v3.3, section 3.11.1 (6)

Document Reference: PT Best Agreement (Draft MoU BEST-RRC_Land-authority Transfer_Nop 2012), p1.

Finding: The VCS Standard requires that "The project description shall be accompanied by documentary evidence establishing conclusively one or more of the following rights of use (see VCS document Program Definitions for definition of right of use) accorded to the project proponent(s):" Additionally, the right of use evidence for the agreement between PT Best and PT Rimba Raya is defined in section 3.11.1.6 as "An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions or removals which vests the right of use in the project proponent."

The documentation provided for verification does not include evidence that Best Group Oil Palm Plantation and Milling Industry is the holder of the statutory, property or contractual right in the land for the concessions of the PT. Wahana Agrotama Makmur Perkasa (WAMP) area of ±2,394 hectares and The Rimba Sawit Utama Planindo (RSUP) area of ± 6,512 hectares.

Client Response: Both concession licences (SK 716 and SK 731) plus English translations have been submitted.

Auditor Response: The project proponent provided the two Decrees for the Wahana and Planindo concessions (SK 716 and SK 731), however there is no mention in either document that Best Agro International is the holder of statutory, property or contractual right in the land and thus, not sufficient to close this finding. In order to resolve this finding please provide evidence that the statutory, property or contractual rights for both the Wahana and Planindo concessions is held by Best Agro International. Additionally, please provide evidence that the signature of the MoU agreement documents is an authorized signatory for Best Agro International.

In addition, the review of Decree SK 716 has resulted in the issuance of a new finding (see NIR 8).

Client Response 2:

Auditor Response 2: The project proponent provided explanatory evidence outside the cover of the findings workbook ensuring that the agreement between Best agro International was signed by an authorized signatory for the company. An internet search revealed extensive evidence bolstering the evidence provided by the project proponent. This evidence sufficiently closes this finding.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.5 dated 04/10/2013

Standard Reference: VCS AFOLU Non-Permanence Risk Tool v3.2, section 2.2.1 - c

Document Reference: VCS Non-Permanence Risk Report (Short) v3, section 1.1, InfiniteEarth_VCS Risk Report Calculation Tool, v3.0_M1

Finding: For a mitigation score of -2 The Non-Permanence Risk Tool states that that the "Management team includes individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting (e.g., individuals who have successfully managed projects through validation, verification and issuance of GHG credits) under the VCS Program or other approved GHG programs."

Given that the project is claiming a risk score of -2 for this section, please provide evidence that the management team includes individuals who have successfully managed projects through validation, verification and issuance of GHG credits under the VCS Program or other approved GHG programs.

Client Response: The management team includes individuals with significant experience in AFOLU project design, carbon accounting and reporting in that individuals have successfully managed project through validation. However the requirement to have managed through to verification and issuance of credits under the VCS Program or other approved GHG programs has not been achieved in full as this is the first verification. As such we have removed this mitigation element reducing the score to 0.

Auditor Response: The updates to the non-permanence risk assessment are sufficient for closing this finding.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.6 dated 04/10/2013

Standard Reference: VCS AFOLU Non-Permanence Risk Tool v3.2, section 2.2.3 - b

Document Reference: VCS Non-Permanence Risk Report (Short) v3, section 1.3, InfiniteEarth_VCS Risk Report Calculation Tool, v3.0_M1

Finding: The Non-Permanence Risk Tool states that for a score of 6 for this section that the "NPV from the most profitable alternative land use activity is expected to be between 50% and up to 100% more than from project activities." Additionally, section 2.2.3.1 of the risk tool states that "The opportunity cost analysis shall include a net present value (NPV) analysis, covering the project crediting period, of such alternatives as compared to the project, taking into consideration a conservative estimate of revenue from GHG credit sales and other project revenue streams, and potential price fluctuations of commodities impacted by the project..."

The project Non-Permanence Risk Report (Short) references evidence for meeting this criterion (Heli Lu and Guifang Liu (2013) Distributed land use modelling and sensitivity analysis for REDD+. Land Use Policy. 33 pp. 54-60). Please provide the evidence referenced in the risk report.

Client Response: Profitability gap (the difference between NPV of palm oil and carbon) was taken from Table 2 assuming an average carbon price of \$730.48 (predicted out to 2035 by the World Bank; see Table 1 and associated text on page 56 of the supplied reference) the profitability gap ranged between 150.6% and 237.6%. The Risk Calculator was corrected for Opportunity Cost (a) NPV of palm oil at least 100% more then REDD+.

Auditor Response: The scenario provided in the client response is reasonable for the current and predicted price trends provided in the Heli et. al. (2009) publication. Moreover, the study was based on data from the project region. This information provided is sufficient for closing this finding.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.7 dated 04/10/2013

Standard Reference: VCS AFOLU Non-Permanence Risk Tool v3.2, section 2.2.4.1

Document Reference: VCS Non-Permanence Risk Report (Short) v3, section 3, InfiniteEarth_VCS Risk Report Calculation Tool, v3.0_M2

Finding: The Non-Permanence Risk Tool states that "Natural risk is based on likelihood (ie, the historical average number of times the event has occurred in the project area over the last 100 years) and significance (ie, the average significance of each event). Any significant natural risk (ie, a risk affecting more than 5% of the project area) that has occurred over the past 100 years in the project area shall be considered applicable to the project. The frequency and significance of events shall be estimated based on historical records, probabilities, remote sensing data, peer-reviewed scientific literature, and/or documented local knowledge, such as survey data in project areas, and may include projected climate change impacts."

The project Non-Permanence Risk Report (Short) claims that fire is the only natural risk to the project area. Please provide evidence that fire is the only natural risk to the project area. Additionally, please provide evidence that the significance of loss from fire is considered minor (5% to less than 25% loss of carbon stocks).

Client Response: Additional text has been added to the Risk Assessment report and references provided. The additional text provided lead to changes in the risk rating for Natural Risk however this does not affect the overall Risk Buffer which remains at 10%.

Auditor Response: Claims made by the project in the non-permanence risk report are supported in the literature provided. A web investigation produced further evidence that OFI has a history of success containing the risk of fire. This information is sufficient for closing this finding.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.8 dated 04/10/2013

Standard Reference: Decree Wahana Agro- Indo-1, stipulation 9

Document Reference: NA

Finding: Stipulation 9 (Ninth) of the Wahana concession decree states "PT WAHANA AGROTAMA MAKMUR PERKASA in forbid to transfer the right of forest utilization of ± 2.394.06 (two thousand three hundred ninety four point six) to another party without obtaining written approval from Forestry Minister.[sic]"

Please provide evidence that the MoU agreement between the project and Best Agro International has obtained written approval from the Forestry Minister.

Client Response:

Auditor Response: The project proponents provided evidence that PT. Best has the authority to give rights of use to PT Rimba Raya Conservation. This evidence, outside of the cover of this workbook, consisted of a working map of the project area created by the Ministry of Forestry that clearly defined this area as a cooperative area between PT. Best and PT Rimba Raya Conservation. The evidence provided is sufficient to close this finding.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.9 dated 05/13/2013

Standard Reference: Monitoring Report Template v3.2

Document Reference: InfiniteEarth_MonitoringReport_v1.2_2013.04.12

Finding: The Monitoring Report, InfiniteEarth_MonitoringReport_v1.1.doc appears to have a formatting problem at the heading for Section 2 Implementation Status. The subheadings for Implementation Status of the Project Activity, Project Description Deviations, and Grouped Project have all been moved into Section 1 of the report, and the numbering of all subsequent sections is incorrect because the error cascades down. Please update the monitoring report to follow the numbering system provided in the monitoring report template v3.2.

Client Response:

Auditor Response: The project proponent provided the changes requested by the audit team, thus successfully closing this finding.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.10 dated 05/13/2013

Standard Reference: VCS AFOLU Non-Permanence Risk Tool v3.2 (Land Tenure and Resource Access/Impacts [c])

Document Reference: InfiniteEarth_VCS Risk Report Calculation Tool, v3.0_M1 (External Risks)

Finding: The VCS AFOLU Non-Permanence Risk Tool requires that where disputes over access/use rights (or overlapping rights) exist that a score of 5 be incurred.

For this category you provided a risk score of 0. While the reviewer understands that it appears likely that no overlapping rights exist with respect to the area covered by SK 146, it appears likely that some degree of overlapping access/use rights exist with respect to the area within the national park, and it also appears possible that some degree of overlapping access/use rights exist with respect to the area that is jointly managed with PT Best. Please provide evidence that no disputes over access/use rights (or overlapping rights) exist for the project area or adjust the risk score accordingly. Please provide justification for this score.

Client Response:

Auditor Response: The project proponent provided a detailed explanation (outside of the cover of this workbook) to ensure that no disputes over access/use rights (or overlapping rights) exist in these areas. The audit team has a reasonable level of assurance that the evidence provided is sufficient for closing this finding.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2010.11 dated 05/13/2013

Standard Reference: VCS AFOLU Non-Permanence Risk Tool v3.2 (Land Tenure and Resource Access/Impacts [f])

Document Reference: InfiniteEarth_VCS Risk Report Calculation Tool, v3.0_M1 (External Risks)

Finding: The VCS AFOLU Non-Permanence Risk Tool requires that for a mitigation score of -2 that the "project area is protected by legally binding commitment (eg, a conservation easement or protected area) to continue management practices that protect carbon stocks over the length of the project crediting period."

The reviewer understands that SK 146 likely constitutes a "legally binding commitment to continue management practices that protect carbon stocks over the length of the project crediting period." However, it is not clear that the areas of the project area that are not covered by SK 146 are also covered by such an agreement." Please provide evidence to justify this mitigation score.

Client Response:

Auditor Response: The project proponent updated the risk calculation tool to include a score of zero for this category, thus successfully closing this finding.

Closing Remarks: The Client's response adequately addresses the finding.

APPENDIX B: AFOLU NON-PERMANENCE RISK ASSESSMENT

In accordance with Section 3.7.3 of the VCS AFOLU Requirements, the project's non-permanence risk report was assessed by the audit team. The risk analysis assessment was based on the non-permanence risk report, which is dated 14 April 2013. The findings and conclusion regarding the non-permanence risk analysis undertaken for the project are summarized below for each risk category and factor. Unless noted otherwise, the audit team agrees with the conclusion stated in the non-permanence risk report.

The findings of the audit team regarding the risk scores applied for each factor are as follows.

Project Management		
Risk Factor	Verification Findings	Risk Rating
a)	This is the initial verification of the Rimba Raya Biodiversity Reserve Project and thus does not contain stocks on which previous credits have been issued.	0
b)	This is the initial verification of the Rimba Raya Biodiversity Reserve Project and thus does not contain stocks on which previous credits have been issued.	0
c)	The management team includes members who have established management experience at the executive, managerial, and operational field levels. This is evident by the successful validation of the project. In addition, interviews with the management team during the site visit confirmed claims made by the project developer	0
d)	The project includes implementing partner Orangutan Foundation International (OFI), who has a presence within Tanjung Putting National Park along the entire western border of the project area.	0
e)	Whereas the management team includes members who have established	0

	management experience at the executive, managerial, and operational field levels, the team does not include any individuals who have successfully managed a project through verification and issuance of GHG credits.	
f)	The adaptive management plan described in the validated monitoring plan was confirmed during the onsite verification activities (see section 4.2 of this report).	-2
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]		-2
Total may be less than zero.		

Financial Viability		
Risk Factor	Verification Findings	Risk Rating
a)	The original audit team was provided a financial model for the Rimba Raya Biodiversity Reserve Project. Whereas, two years have elapsed since the submission of the model, both the number of tons, as well as the price per tons are considered conservative by the audit team based on professional knowledge. Thus, the audit team agrees with claims by the project proponent(s) that project cash flow breakeven point is less than 4 years from the current risk assessment.	0
e)	Based on the evidence provided for pre-sold credits, the audit team agrees with claims by the project proponent that “The project is cash flow positive on the first verification. Upon sale of the credits from the 2nd verification, the original investment capital is returned, leaving the company again with 2+ years of operating capital leading up to the 3rd verification.”	0
h)	The audit team was provided with agreements for the pre-sale of GHG credits, as well as the financial budget for the project. Investigation into these documents provided no reason to believe that these agreements have changed since project validation. Therefore, the audit team agrees that the project has secured 80% or more of the funding needed to cover the total cash out before the project reaches breakeven.	0
Total Financial Viability [(a,b,c or d)+ (e,f,g or h) + i]		0

Opportunity Cost		
Risk Factor	Verification Findings	Risk Rating
a)	The audit team is in agreement that NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities. The information provided in the analysis performed by (Heli et	8

	al, 2013) that found that the profitability gap (the difference between NPV of palm oil and carbon) ranged between 150.6% and 237.6% is in agreement with current oil palm prices.	
h)	The project is bound by legal contract (Decree number SK 146) to continue management practices of forest protection, as well as, to continue to pay licensing fees for 60 years, therefore meeting the mitigation requirement for this section.	-2
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)]		6
Total may not be less than 0.		

Project Longevity		
Risk Factor	Verification Findings	Risk Rating
b)	The project longevity is sixty years. The audit team agrees that Decree number SK 146 provides ample evidence to this fact. Financial budgets for the project allow for an endowment that will pay the continued licensing fees in perpetuity.	0
Total Project Longevity (PL)		0
May not be less than zero		

Internal Risk	
Total Internal Risk (PM + FV + OC + PL)	(-2 + 0 + 6 + 0) = 4
Total may not be less than zero.	

Land Tenure and Resource Access/Impacts		
Risk Factor	Verification Findings	Risk Rating
b)	The land for the project area is owned by the Indonesian government and user rights are granted by the way of concessions. The audit team agrees that the evidence provided by Decree number SK 146, and the agreements between Tanjung Putting National Park and PT Best Agro International are ample evidence to support this claim.	2
c)	The evidence provided in Decree number SK 146 supports claims that no	0

d)	disputes exists for ownership tenure or overlapping rights. Moreover, article 1; section 10 of the collaboration agreement between Tanjung Puting Nation Park clearly recognized the rights to emission reductions as those of PT Rimba Raya Conservation was done so at the behest of the Directorate General of Forestry Production. In addition, the MoU between PT Best and PT Rimba Raya Conservation clearly gives management authority and control of the land to PT Rimba Raya Conservation. The inclusion of this agreement in the working area map created by the Directorate General of Forestry Production further supports the rights of the project by following the guidance provided in section 2.3.1.8 of the VCS AFOLU Non-Permanence Risk Tool.	0
e)	This is not a WRC project.	NA
f)	The project is bound by legal contract (SK 146) to continue management practices of forest protection. This is made evident in the fourth stipulation of Decree SK 146 stating the project is prohibited from leaving the work area and the twelfth stipulation stating the decree is for a period of 60 years; however the information provided in the MoU between PT Rimba Raya Conservation and PT Best does not provide evidence to meet the requirements for a mitigation score.	0
Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)] Total may not be less than zero.		2

Community Engagement		
Risk Factor	Verification Findings	Risk Rating
a)	No communities exist within the project area.	0
b)	The audit team conducted interviews with communities near the project area, confirming claims at least 20% of the communities who live within 20km of the Project boundaries and who rely on resources within the Project Area (such as fishing and subsistence agriculture) were consulted throughout the CCB project development stage.	0
c)	The Rimba Raya Biodiversity Reserve Project has been successfully validated against the standards of the Climate Community and Biodiversity Alliance, thus more than meeting the mitigation requirement for this section.	-5

Total Community Engagement (CE) [where applicable, (a + b + c)] Total may be less than zero.	-5
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Political Risk		
Risk Factor	Verification Findings	Risk Rating
b)	The most recent release of the World Governance Indicators shows a governance score of -0.4803 when averaged over the most recent five years of available data.	4
f)	Indonesia is receiving REDD+ readiness funding (grant signed June 2011).	-2
Total Political (PC) [as applicable ((a, b, c, d or e) + f)] Total may not be less than zero.		2

External Risk	
Total External Risk (LT + CE + PC) Total may not be less than zero.	0

Score for each natural risk applicable to the project (Determined by (LS x M))	
Verification Findings	
Fire (F) – The information provided by the project proponent is consistent with professional knowledge of the audit team. Given the project area’s location (bordered on the west by closed canopy forest and to the east by established oil palm plantation, incidents of fire are considered minor (5% to less than 25% loss of carbon stocks). In addition, the audit team confirmed the reasonableness of the .25 mitigation score, based on review of the project’s fire plan and that project partners such as OFI have a proven history in the area of containing fire through rapid fire detection and containment activities.	(5 X .25) = 1.25
Pest and Disease Outbreaks (PD) – The audit team is in agreement that the risk for pest and disease outbreak is minor (5% to less than 25% loss of carbon stocks)	(0 X 1.0) = 0

based on the scientific literature.	
Extreme Weather (W) – Based on the available information, the audit team is in agreement with the project that extreme weather risk consists of two main categories (drought and rain). Whereas, drought has been assessed previously in the fire risk section, The main risk associated with the rainy season is wind blow down, as Indonesia ranks low on the global risk rating for cyclones, floods, and landslides (http://www.preventionweb.net/files/1100_Hotspots.pdf#page=75). Given that above ground carbon stocks comprise only 5 – 10% of the projects total carbon stocks, the claim of 5 to less than 25% loss of carbon stocks for this category is appropriate.	(2.0 X 1.0) = 2
Geological Risk (G) – Claims by the project proponent that no loss is expected due to geological events are supported by the scientific literature (http://www.preventionweb.net/files/1100_Hotspots.pdf#page=75 and http://www.seismo.ethz.ch/static/GSHAP/swpacific/swpac.gif)	(0 X 1.0) = 0
Other natural risk (ON) - NA	(0 X 1.0) = 0
Total Natural Risk (as applicable, F + PD + W + G + ON)	3.25

Risk Category	Rating
a) Internal Risk	4
b) External Risk	0
c) Natural Risk	3.25
Overall Risk Rating (a + b + c)	10% (Minimum Risk Rating)